Question 22 (12 marks)

Balance Sheet for Chalker Pty Ltd
as at year ending 30 June 2012

Current Assets	$	$
Cash	8 000	
Receivables	12 000	
Inventories	15 000	35 000
Non-Current Assets		
Property, Plant and Equipment		33 000
Total Assets		**68 000**
Current Liabilities		
Creditors		14 000
Non-Current Liabilities		
Loan		20 000
Owners Equity		
Capital	15 000	
Retained Net Profit	19 000	34 000
Total Liabilities and Owners Equity		**68 000**

(a) Calculate the current ratio (current assets ÷ current liabilities) of this business. Show all working. **2**

68,000 ÷ 14,000 =

(b) Calculate the debt to equity ratio (total liabilities ÷ total equity) of this business. Show all working. **2**

34,000 ÷ 34,000 =

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Question 22 (continued)

(c) Why is it important for a business to control its debt to equity ratio? **4**

So you can make profit (net or gross) out of your left from the business. To also know how you can spend to not become a over spender on all products and other use.

(d) Explain the interdependence of finance and operations in a business. Support your answer with relevant examples. **4**

Finance is when using Balance Sheets, Income statements coming in and out of the business ~~also~~ for also to see what you have been buying and checking up. Operations is more on how you sell your product and how your strategising to make the product improve.

End of Question 22